

**TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE**



FISCAL NOTE

SB 3829 - HB 3840

February 15, 2010

SUMMARY OF BILL: Delays the implementation of a tobacco surcharge on state employees enrolled in the state health plan based on specific lifestyle choices until June 30, 2011. Requires the written report on the status of the Cover Tennessee health care proposal be submitted to the Speaker of the House and the Speaker of the Senate. Authorizes grant payments to certain qualified nursing home residents whose care is not paid for by any state or federal program to be paid monthly or quarterly.

ESTIMATED FISCAL IMPACT:

Forgone State Revenue - \$5,322,600/FY10-11
Increase State Expenditures – Not Significant

Forgone Local Revenue – Exceeds \$1,000,000/FY10-11

Other Fiscal Impact – According to the Department of Finance and Administration, an individual who uses tobacco products can incur greater health care costs than individuals who do not use tobacco products. It is estimated that the increased benefits and incentives provided by the State Insurance Committee to assist individuals to stop using tobacco products will result in a decrease in the amount of health care costs for these individuals in future years. The amount of savings in future years is dependent on several variables and is not quantifiable.


Assumptions:

- Public Chapter 502 of 2009 delayed the implementation of the surcharge of \$50 per month for any enrollee in the State Employee, Local Government, and Local Education Health Plans who uses tobacco for one year becoming effective January 1, 2011.
- The proposed legislation will delay the implementation of the tobacco surcharge for an additional six months until June 30, 2011.
- In FY10-11 and subsequent years, the Department of Finance and Administration originally anticipated revenue of \$7,714,208 from state plan enrollees and \$2,930,920 in local education plan enrollees.
- The state will forgo six months, or one-half, of the projected revenue in FY10-11 resulting in \$5,322,564 $[(\$7,714,208 + \$2,930,920) / 2]$ of forgone revenue.

- The local governments that choose to opt into the State Employee Health Plan are responsible for a portion of the premiums for their employees. It is unknown how many local employees will be impacted by this surcharge but it is reasonably estimated that local governments participating in the State Employee Health Plan will forgo revenue collections of an amount exceeding \$1,000,000 in FY10-11.
- According to the Department of Finance and Administration, the anticipated revenue collected by the proposed surcharge will be used to fund benefits and as an incentive to assist enrollees to quit using tobacco products.
- According to the Department of Finance and Administration, an individual who uses tobacco products can incur greater health care costs than individuals who do not use tobacco products. It is estimated that the increased benefits and incentives provided by the State Insurance Committee to assist individuals to stop using tobacco products will result in a decrease in the amount of health care costs for these individuals in future years. The amount of savings in future years is dependent on several variables including, but not limited to, the monthly surcharge and is not quantifiable.
- The annual written report on the status of the Cover Tennessee program is submitted by February 1st of each year. The statutory requirement for the Department of Finance and Administration is effective until June 30, 2010. It is estimated that there will not be a fiscal impact to include the Speaker of the House and the Speaker of the Senate as recipients of this report.
- Each year, an appropriation is made to fund the grants to eligible nursing home residents. Authorizing the grant payments to be paid quarterly or monthly will not result in an increase or decrease in the amount of appropriation for the grant program. The only change will be the frequency in which the payments are made.

CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.



James W. White, Executive Director

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